COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 28, 2002

APPLICATION OF

COLUMBIA GAS OF VIRGINIA, INC.	CASE NO. PUE-2001-00587
For Approval of a Retail Supply Choice Plan as Authorized by § 56-235.8 of the Code of Virginia	Phase I
To Change Rates, Charges, Rules, and Regulations	Phase II

ORDER

On January 2, 2002, Columbia Gas of Virginia, Inc. ("Columbia" or "Company"), applied for approval of a retail supply choice plan as authorized by § 56-235.8 A and B of the Code of Virginia ("Code"). A retail supply choice plan would offer Columbia's customer classes not eligible for transportation services on July 1, 1999, the option of purchasing gas from an alternative supplier. The Company proposed in the same application changes in rates, charges, rules, and regulations and new services for customer classes that are not part of a retail supply choice plan as defined in § 56-235.8 A of the Code.

The Commission's Order of June 6, 2002, designated consideration of the retail supply choice plan as Phase I of this proceeding. Other proposed tariff revisions and new services filed on January 2, 2002, were designated for hearing in Phase II. In this Order, the Commission approves, with modifications, Columbia's retail supply choice plan. We also address the Company's requests for waiver of provisions of the Commission's Rules Governing Retail Access to Competitive Energy Services, 20 VAC 5-312-10 et seq. ("Retail Access Rules"). Issues raised by other tariff revisions and new services proposed by the Company will be addressed in Phase II of this proceeding.

In our Order for Notice and for Filing Comments and Requests for Hearing of February 7, 2002, as modified by our Order Revising Schedule of February 14, 2002, the Commission directed Columbia to give notice of its application for approval of a retail supply choice plan and for revision of other tariff provisions and for approval of new services. Columbia has filed proof of publication and service of notice, and we find that proper notice of this matter has been given.

As authorized by the Commission's orders, licensed gas suppliers Washington Gas Energy Services, Inc., and Dominion Retail, Inc., filed with the Clerk comments on the retail supply choice plan, and the Office of Attorney General, Division of Consumer Counsel, commented on the retail supply choice plan and tariff revisions designated for hearing in Phase II. In addition, licensed gas suppliers America's Energy Alliance, Inc., and Bollinger Energy Corporation advised the Commission of their interest. While Dominion Retail stated that formal proceedings might be required to address some issues, it did not explicitly request a hearing. The Division of Consumer Counsel advised that it would not oppose a hearing, but it did not make a request. On April 17, 2002, the Commission Staff filed its report, which analyzed the Company's retail supply choice plan and the comments on the plan and offered recommendations.

On May 6, 2002, Dominion Retail moved for leave to file additional comments on the Staff report and its additional comments. Dominion Retail served copies of its motion and comments on Columbia, and the Company filed on May 24, 2002, its response. Columbia opposed receipt of the supplemental comments on the grounds that the Commission had not authorized additional comments, but the Company did not claim that it was prejudiced. The Company also addressed in detail the points that Dominion Retail raised in the additional comments. The Commission will grant Dominion Retail's motion and consider its comments and Columbia's response.

On June 19, 2002, Columbia filed on its own behalf and on behalf of Washington Gas Energy Services a Motion for Consideration of Stipulation and a Stipulation. Columbia and WGES proposed a resolution of five issues identified in Phase I of this proceeding by the Commission Staff, the parties, and the

Division of Consumer Counsel. By Order Permitting Responses and Replies of June 19, 2002, the Commission authorized the Staff and the parties in this proceeding to file responses to the motion and stipulation and replies. The Staff and Dominion Retail filed responses to the five proposals made by the Company and Washington Gas Energy Services. The Virginia Industrial Gas Users' Association also filed a response addressing several points in the stipulation. On June 26, 2002, Columbia filed a reply to the responses. We will address the stipulation in our discussion of the issues before the Commission.

In addition, Washington Gas Energy Services filed comments on June 24, 2002, which it acknowledged did not address the stipulation. Our Order of June 19, 2002, authorized responses to the motion and stipulation. We did not authorize another round of comments on Columbia's retail supply choice plan, which all parties have had ample opportunity to address. Accordingly, we will not consider Washington Gas Energy Services' comments filed on June 24, 2002.

The Commission will now turn to the issues raised by the pleadings in this case. As provided by § 56-235.8 B of the Code, the Commission must approve a retail supply choice plan unless we determine that, as provided by the statute, the plan would:

> 1. Adversely affect the quality, safety, or reliability of natural gas service by the gas utility or the provision of adequate service to the gas utility's customers;
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> 2. Result in rates charged by the gas utility that are not just and reasonable rates within the contemplation of § 56-235.2 or that are in excess of levels approved by the Commission under § 56-235.6, as the case may be;
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> 3. Adversely affect the gas utility's customers not participating in the retail supply choice plan;
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> 4. Unreasonably discriminate against one class of the gas utility's customers in favor of another class (provided, however, that a gas utility's recovery of nongas fixed costs on a nonvolumetric basis shall not necessarily constitute unreasonable discrimination); or
>
> 5. Not be in the public interest.

Section 56-235.8 B of the Code.

Further, § 56-235.8 B of the Code provides that the Commission may also modify a gas utility's proposal to ensure that the plan conforms to the listed criteria and is otherwise in the public interest. Applying the standards and authority set out in the Code, the Commission will consider the retail supply choice plan before us.

Many of the issues raised in the comments concern the terms of Columbia's proposed Rate Schedule CSPS, Competitive Service Provider Service, which is found at Sheet Numbers 236 through

251 of Columbia's tariff.[1] In addition, the Staff and the Division of Consumer Counsel commented on the Transition Costs Recovery Mechanism, which Columbia would apply to residential and small commercial customers regardless of their participation in retail supply choice. We must also address proposed changes in budget billing and other aspects of service. Finally, the Commission will consider Columbia's requests for waivers of certain provisions of the Retail Access Rules.

Capacity Assignment and Transition Cost Recovery

In Rate Schedule CSPS, Sections 7 and 8, at Sheet No. 242, and in the Statewide Choice Gas Supply Operations Plan filed on January 2, 2002, as Attachment B to the application (hereinafter "Operations Plan") at 7-12, Columbia proposed assignment of capacity to licensed gas suppliers participating in its plan at the licensees' election. In accordance with the terms of Schedule CSPS and the Operations Plan, a licensee could take an assignment of capacity and reassign the capacity.

In conjunction with the optional assignment of capacity, the Company proposed General Terms and Conditions Section 17.13, Transition Costs Recovery Mechanism, Sheet Nos. 393 through

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[1] For simplicity in the discussion which follows, the Commission will omit certain numbers and designations of the tariff sheets, which are proposed for the Company's Gas Tariff Fourth Revised Volume 1. To assist the reader, we will also refer to the various sections of Schedule CSPS. The Commission will follow the same convention in referring to other schedules and terms and conditions in this Order.

393a. Pursuant to the formula set out in this section, Columbia would calculate annually a Transition Costs Recovery Charge ("TCRC") that, as authorized by § 56-235.8 A 3 of the Code, is based on unmitigated transition costs. The unmitigated costs recovered in the TCRC would include a portion of the demand charges for firm capacity associated with sales volumes converting to transportation. The TCRC would also recover information technology costs, customer education costs, and unrecovered costs of Columbia's pilot choice program.[2] The TCRC would be applied to all residential and small general service customers whether they participated in the retail supply choice plan or not.

The Division of Consumer Counsel recognized that a surcharge which recovered the costs of offering a retail supply choice plan could be justified. The Division of Consumer Counsel expressed concern about including stranded costs in a TCRC that applied to customers who did not participate in Columbia's choice program. The imposition of this charge on small customers who may have limited opportunities to participate in a choice program could be unreasonable. If the Commission approved the TCRC, the Division of Consumer Counsel

[2] The history of the pilot program is reviewed in Columbia Gas of Virginia, Inc., Case No. PUE-2001-00350, Order Granting Extension and Directing the Filing of a Plan for Retail Gas Supply Choice of September 25, 2001.

urged that the component of the charge attributable to stranded costs be capped.

In its initial comments and its supplemental comments filed on May 6, 2002, Dominion Retail, a licensed gas supplier, opposed optional capacity assignment. According to Dominion Retail, transportation of gas into Columbia's system is constrained, and capacity assignment should be mandatory. Without mandatory capacity assignment, Dominion Retail anticipates risk exposure to the difference between the market value of transportation service and the tariff price.

In its report, the Staff noted that the Transition Costs Recovery Mechanism would include two categories of costs identified in § 56-235.8 A 3 of the Code for recovery. The first category is defined as prudently incurred contract obligations associated with acquiring, maintaining, or terminating interstate and intrastate pipeline and storage capacity contracts, less revenues generated by mitigating such contract obligations, whether by off-system sales, capacity release, pipeline supplier refunds, or otherwise. A second category, transition costs, include costs associated with educating the public on retail supply choice and redesigning facilities, operations, and systems to permit retail supply choice.

The Staff recommended that the Commission modify Columbia's plan to require mandatory capacity assignment to reduce the cost of contract obligations. With mandatory capacity assignment, Columbia could reduce its contract obligations for upstream capacity for balancing and peaking to the extent that customers migrated to licensed gas suppliers. Reduction in contract obligation costs would reduce the TCRC previously discussed.

In its May 3, 2002, comments on the Staff's report and other comments, Columbia agreed to modify its retail supply choice plan to provide for mandatory capacity assignment of upstream firm transportation service equal to up to 37 percent of the licensed gas suppliers' peak demand. Columbia noted that this modification would address the Division of Consumer Counsel's concerns about recovery of stranded costs. The Commission will accept the Company's modification.

In the Stipulation filed June 19, 2002, Columbia proposed to include a delivery tolerance for the Daily Delivery Obligation ("DDO"). On days in which an Operational Flow Order ("OFO") was not in effect, a participating licensed gas supplier could deliver plus or minus 5 percent of its DDO without incurring a penalty. The tolerance would not apply on days covered by an OFO. This tolerance was offered in lieu of assigning contracted pipeline storage capacity to licensed gas suppliers participating in its retail supply choice plan.

In its comments on the stipulation, the Staff urged acceptance of the tolerance. Staff also recommended that Columbia modify Schedule CSPS and the Operations Plan to clarify the relationship between the tolerance and the optional Enhanced Balancing Service (EBS). Dominion Retail stated that the tolerance was less than desirable, but it appeared to be workable. The Gas Users' Association would have the tolerance also apply when an OFO had been issued. The Association expressed concern about the OFO procedure and stated that it would be raised in Phase II.

The Commission will modify the retail supply choice plan to incorporate the tolerance. Columbia shall revise Schedule CSPS Section 9 and the Operations Plan to incorporate the 5 percent tolerance.

As Columbia also noted in its comments of May 3, 2002, the Company proposes to recover accumulated unassumed capacity costs of its pilot program through the TCRC. According to the Company, the costs incurred in developing the plan and in conducting its pilot should be recovered in a non-bypassable and neutral charge.

The subdivision which authorizes annual surcharges like the TCRC, § 56-235.8 A 3 of the Code, lists specific costs that may be recovered. Costs of a pilot program are not among the listed costs. Further, § 56-235.8 A specifically provides that the provisions of this section do not apply to pilot programs. Accordingly, the Company shall not include costs of the pilot program in the TCRC. We do not reach the issues of whether Columbia has unrecovered costs of the pilot program and, if so, how the costs should be recovered. We find only that the statute does not permit recovery of pilot program costs through the TCRC, and we direct modification to exclude that component.

We will approve the Transition Cost Recovery Mechanism, General Terms and Conditions Section 17.13, with any necessary modifications to reflect mandatory capacity assignment and the removal of the unrecovered costs of the pilot program as a component. In addition, under mandatory capacity assignment there will be no stranded capacity costs. Accordingly, the language in 17.13 b) 1) (i) and 17.13 b) 2) (i) should be deleted.

As provided by Section 17.13 b) 3), at Sheet No. 393a, Columbia proposes to apply a projected TCRC from July 1, 2002, through December 31, 2002. As shown on Sheet Nos. 3 and 3a, this projected charge is $0.020 per Mcf. We will direct the Company to recalculate and file a revised TCRC effective from July 1, 2002, through December 31, 2002, to reflect mandatory capacity assignment and removal of unrecovered costs of the pilot program.

As provided by Section 17.13 b) 3), at Sheet No. 393a, a new TCRC effective January 1, 2003, would be calculated after October 31, 2002. We will direct Columbia to file annually the revised TCRC with the Commission's Division of Energy Regulation by the first business day of December beginning in 2002. The Company shall simultaneously file with the Commission's Division of Energy Regulation and the Division of Public Utility Accounting work papers supporting the TCRC calculation and the Transition Costs Recovery Mechanism. The Staff will review the calculation. As part of its annual review, we will also direct the Staff to evaluate the continued necessity for the TCRC.

Pricing and Rate-Making Treatment of Optional Services

In Rate Schedule CSPS, Section 10, at Sheet Nos. 245 through 246, Columbia proposes two optional services for gas licensees, Enhanced Balancing Service ("EBS") and System Integration Service ("SIS"). EBS would provide an automatic balancing tolerance for delivery obligation, and SIS would provide automatic redelivery of gas to other locations. According to Columbia, these optional services would enable licensed gas suppliers to improve management of gas supplies. Both services would be offered at a negotiated prices.

Columbia also proposes in Rate Schedule CSPS, Section 6, at Sheet Nos. 240 through 241, optional billing and collection services. These services would also be offered at negotiated prices.

Columbia made two arguments in support of negotiated pricing for these optional services. Comparable services are available from other sources, and negotiation is consistent with the introduction of competitive forces.

In its comments, the Division of Consumer Counsel expressed concerns about additional revenues generated by the optional services in Rate Schedule CSPS. The Division of Consumer Counsel suggested that Columbia calculate additional revenues by rate class and credit revenues from balancing services against its PGA. Dominion Retail did not oppose the offer of optional services, but it expressed concern about affiliate abuse. In its Report, the Staff recommended that the optional services should be offered at rates based on cost. Further, the Staff recommended that the revenues from these services be credited to the PGA.

Columbia opposes any departure from negotiated pricing for EBS, SIS, and optional billing and collections services. Instead of crediting these revenues to the PGA, Columbia would include the revenue "above the line" with other Company revenues to be reviewed in subsequent rate cases.

In the Stipulation filed June 19, 2002, Columbia takes the same positions it has held throughout this proceeding. The optional services should be offered at negotiated rates, and the revenues will be treated as above-the-line revenues. In its comments, the Gas Users' Association supported Columbia's position. The Staff continued to recommend that the optional services be priced on the basis of cost and that revenues be reflected in the PGA.

The Commission will direct the Company to offer the optional services at rates based on cost and substitute these rates for the language in Schedule CSPS providing for negotiated pricing of EBS and SIS. While Columbia contends that the services are available from other sources, it is unclear whether these providers are active in Virginia and willing to deal with the licensed gas suppliers. Should Columbia develop information that the services are readily available, it may propose revisions to its tariff. Further, we agree with the Staff and the Division of Consumer Counsel that any revenues from these services should be credited to the PGA, and Columbia shall modify its methodology accordingly.

With regard to billing and collection service, the Commission will not modify Columbia's plan. Various services involved in billing such as data processing, mailing, lock box service, and the like may be available from a variety of sources. In addition, revenues from any optional billing services provided by Columbia will be treated above the line with revenues from other activities.

Daily Delivery Obligation and Operational Flow Orders

Columbia's proposed Schedule CSPS Sections 9(a) and (b), Sheet Nos. 242 through 243, would require a licensed gas supplier to deliver to the Company a set quantity of gas each day. This requirement is defined in Schedule CSPS as the DDO, and the procedure for determining the DDO is explained in the Operations Plan at 2-4. In simple terms, the DDO is determined by customer usage patterns, air temperature, and season of the year. The optional EBS previously discussed would provide some tolerance in satisfying the DDO to licensed gas suppliers taking the service. Failure to satisfy the DDO would result in imposition of the penalties set out in Rate Schedule CSPS, Section 9(c)(1), at Sheet No. 243.

Embedded in the DDO is a balancing service described in the Operations Plan at 12-15. Columbia would provide any difference between the volume of gas licensees deliver and the volume of gas the licensees' customers actually consume on any day. The DDO for the months of April through September would require delivery of an additional volume of gas, which Columbia defines as the CSP Balancing Quantity. To maintain the required CSP Balancing Quantity, the licensees may have to purchase storage capacity or gas from Columbia. Purchases would be at the higher of the city gate price or the last in-first out price of gas in the Company's inventory.

Columbia would reserve the right, at its discretion, to vary the licensed gas suppliers' DDO by issuing an OFO. As explained in Schedule CSPS Section 9(b), at Sheet No. 243, and the Operations Plan, at 20-21, the Company might issue an OFO to adjust delivery quantity to support system operations. Failure to comply with an OFO would subject the licensed gas supplier to the penalties set out in Rate Schedule CSPS, Section 9(c)(2), at Sheet No. 244. These penalties are significantly higher than those proposed for failure to satisfy the DDO when an OFO is not in effect.

In its comments, licensee Washington Gas Energy Services advocated modification of the plan to require Columbia to assign pipeline storage capacity to participating licensees. If Columbia provided storage capacity to licensees participating in the retail supply choice plan, in Washington Gas Energy's view, these licensees could meet system needs and avoid unnecessary transactions. Washington Gas Energy Services noted the potential costs and operational problems that the OFO procedure could create for licensees.

Washington Gas Energy Services also expressed concern over the pricing of any gas purchased to satisfy the CSP Balancing Quantity. Requiring purchases at the market price or the last price Columbia paid would add uncertainty and complicate licensees' pricing. Washington Gas Energy Services suggested that any purchases be at the weighted average cost of Columbia's inventory. This average would be reasonably predictable over time, and provide some certainty to licensees participating in the retail choice plan.

Washington Gas Energy Services and the Division of Consumer Counsel expressed concerns that the various components of balancing requirements established by Schedule CSPS and the Operations Plan could discourage competition. The Staff and Dominion Retail also questioned whether the penalties for failure to meet the DDO might discourage entry of licensed gas suppliers. The penalties would be in addition to gas costs and upstream penalties Columbia might incur, and they would not bear any relation to these costs.

In its comments on the Staff report filed May 3, 2002, Columbia justified its proposed OFO procedure and balancing requirements on the grounds that its system is constrained during peak heating months. To assure the reliability of its system and adequacy of gas supplies, these measures are necessary. Columbia maintained that the balancing service embedded in the DDO and the optional services offered to licensees provided the equivalent of storage capacity.

While the Company maintained that its penalty structure set out in Schedule CSPS Section 9 was justified and reasonable, Columbia proposed modifications. The modified penalties for OFO periods would include a tiered commodity component plus upstream penalties. In addition, a set penalty of $10 per MCF would be imposed. For non-OFO periods, Columbia proposed tiered penalties based on gas price. The Company has proposed a penalties structure, which addresses many objections of the Staff and the commenting licensed gas suppliers.

In the stipulation filed June 19, 2002, Washington Gas Energy Services accepted the revised penalty schedule proposed by Columbia. In comments on the stipulation, the Staff supported the revised schedule. The Industrial Gas Users' Association recommended that any penalties collected by Columbia be reflected in the PGA so that Columbia would have no incentive to levy them.

The Commission will accept Columbia's modified penalty schedule. The Company will file revisions to Schedule CSPS Section 9 replacing the penalty schedule proposed on January 2, 2002. We will not require Columbia, at this time, to reflect any penalties collected under Rate Schedule CSPS in its PGA. As we discuss below, issues concerning licensed gas suppliers who participate in Columbia's retail supply choice plan are related to some issues that will be addressed in Phase II of the proceeding. The level of penalties appears to be an issue common to both phases. While we approve the penalties, as modified by Columbia, as part of the retail supply choice plan, we may address the proper treatment of penalties collected by the Company in Phase II or in another appropriate proceeding.

As noted, Washington Gas Energy Services commented on the pricing of gas required to meet the CSPS Balancing Quantity and suggested an alternative. While the Commission declines, in Phase I of this proceeding, to adopt the suggested alternative, Washington Gas Energy Services has drawn attention to a possible source of confusion and controversy.

Schedule CSPS identifies two situations in which a licensed gas supplier might purchase gas, and the rate schedule establishes a pricing mechanism for each situation. Section 9(c), at Sheet Nos. 243 and 244, addresses purchases when a licensee fails to deliver enough gas. Section 13, at Sheet Nos. 246 and 247, deals with purchases as part of the annual reconciliation.

The Operations Plan, at 3-4, provides a licensed gas supplier the option of providing the incremental supply or paying Columbia for required gas when temperatures fall below the design peak day temperature. The pricing formula is not specified. In addition, the Operations Plan, at 12-15, describes the balancing service and the licensed gas supplier's obligation to deliver the CSP Balancing Quantity. As part of this balancing service, the Operations Plan, at 15, requires the licensee to purchase gas from the Company in some situations at a price set by another formula.

The record does not support modification of any of the pricing mechanisms. We will, however, require Columbia to revise Schedule CSPS to address the two instances where a licensee may be required to purchase gas and the pricing mechanism for these transactions identified in the Operations Plan. An operating plan separate from the tariff and standard agreements may be necessary for administration of the retail supply choice plan. The Commission finds, however, that all obligations imposed on a licensee to purchase gas from Columbia and the pricing for such purchases should be in the tariff.

In addressing the foregoing aspects of Columbia's retail supply choice plan, the Commission notes the procedural posture of this case. As we discussed in our Order of June 6, 2002, in which we established Phases I and II of this proceeding, pursuant to § 56-235.8 of the Code we need to approve, disapprove, or modify Columbia's retail supply choice plan, in Phase I, by July 1, 2002. The comments filed in this proceeding show that there are transportation issues common to both phases. The licensed gas suppliers participating in the retail supply choice plan covered principally by the Company's Schedule CSPS and the Operations Plan share characteristics and interests with the transportation service customers affected by Phase II. For example, issues concerning delivery of gas, balancing of supply and demand, the prices for gas and services charged by Columbia, penalties, and other issues are common to both phases. Our decisions in Phase I are not intended to limit full consideration of issues in Phase II.

Creditworthiness and Evaluation Fee

The Company proposes in Schedule CSPS Section 4(a), Sheet No. 237, a fee of $280 for each evaluation of a licensee's creditworthiness. The Staff investigated the fee and explained it its report that the sum represented data processing costs of $240 for establishing the licensee as a participant in the program and $40 for a credit report.

In its comments filed May 3, 2002, Columbia clarified that it would not apply the evaluation fee to licensed gas suppliers participating in its pilot program. The Company also stated that it would divide the aggregate fee into a set-up charge and a credit report charge.

With one exception, the Commission will approve the evaluation fee as revised by Columbia. We will require this section of Schedule CSPS to have language that clearly provides that no additional credit report fee may be collected whenever Columbia elects to evaluate creditworthiness. The cost of credit reports is a recurring expense of conducting business, and it does not merit imposition of a separate charge at the Company's election.

In addition to a fee for evaluation, Columbia also identified in Schedule CSPS Section 4(a), Sheet No. 237, examples of factors it would consider in evaluating creditworthiness. The Company pledged to apply these factors without discrimination. In Sections 4(b) and (c), Sheet Nos. 237 through 238, Columbia identified the financial assurances it would require from licensees participating in its retail supply choice program.

In its report, the Staff concluded that disclosure of the creditworthiness evaluation to each licensee and resort to the dispute resolution process was sufficient protection from abuse or discrimination. The Commission agrees with the Staff's assessment.

Monthly Administrative Charge

Columbia proposed in Schedule CSPS Section 11(a), Sheet No. 246, a monthly administrative charge of $0.41 for each customer of licensed gas suppliers participating in the program. The administrative charge would be no less than $100.00 per month.

In the stipulation filed on June 19, 2002, Columbia and Washington Gas Energy Services proposed a reduction of the monthly administrative charge proposed in Rate Schedule CSPS from $0.41 per customer to $0.20 per customer. In conjunction with this reduction, Columbia will recover demonstrable incremental costs in the Transition Costs Recovery Charge applied to all residential and small commercial customers.

Both Dominion Retail and the Staff questioned the level of this charge and the lack of any cost-support material in the application. The Staff noted that the customer charge in Columbia's pilot program was $0.10 per month. The Staff also expressed its view that most of the incremental costs identified by the Company for recovery may be included in the cost-of-service and that rates were designed to recover these costs.

After considering the record, the Commission will direct modification of Schedule CSPS Section 11(a) to continue the monthly administrative charge approved for the pilot program, which was $0.10 per customer. After some experience with the plan we approve in this Order, the Company may develop sufficient information to support a higher charge and to establish that administrative expenses are not included in cost-of-service.

In addition to issues raised with provisions of proposed Schedule CSPS and the Operations Plan, the Staff and parties addressed proposed revisions to other rates and terms.

Gas Transportation Rate

Columbia has proposed new services, including Residential Transportation Service, Schedule RTS, and Small General Transportation Service, Schedule STS, for customers that obtain gas from licensed suppliers. The proposed rates for these services cover Columbia's administrative expenses and costs of transporting the gas over the Company's system. In its Rates, at Sheet No. 3A, the Company has proposed a Base Gas Rate of $0.614 per Mcf for both services.

Dominion Retail noted in its comments that Columbia had provided no justification for this rate. The Staff investigated the rate and offered an analysis in its report. The Staff concluded that the Company applied the same methodology for developing the rates that was used in the pilot program and accepted by the Commission. The Staff attributed the difference between the rate accepted in the pilot program and the rate proposed in this program to the increase in pipeline capacity required for licensees participating in the permanent program. The Commission will not modify the proposed rates.

Budget Billing

Columbia now offers its customers a Budget Payment Plan. In its proposed General Terms and Conditions Section 12.5, at Sheet No. 377, Columbia would limit the Budget Payment Plan. Customers participating in the retail supply choice plan and taking service under the schedules for the customer selecting a licensed gas supplier, primarily proposed Schedules RTS and SGTS, would not be eligible to enroll in a budget payment plan.

Washington Gas Energy Services and the Staff expressed concern over the elimination of the budget billing option for residential and small commercial customers that might participate in retail supply choice. In its comments filed May 3, 2002, Columbia advised the Commission that it would continue to offer budget billing with certain conditions. According to Columbia, the budget billing must cover both its charges and the licensed gas suppliers' charges. Consequently, the licensees must agree to participate and to coordinate the exchange of information on customer balances and changes in suppliers. Columbia also stated that it might need to revise its criteria for creditworthiness to reflect possible default of a licensee participating in a budget payment plan.

The Company states that due to the nature of its programming infrastructure, the budget billing methodology must be applied to the entire customer bill. The Company further explains that, essentially, it proposes to continue to treat budget payments in the same manner as they were treated during the pilot program. The Commission will require the Company to continue the budget payment plan in effect during its pilot program and to conform its tariffs and standard agreements accordingly. If, after some experience, Columbia determines that budget billing bears on creditworthiness, appropriate revisions to Schedule CSPS could be proposed in a future proceeding.

Waivers of the Retail Access Rules

The remaining matters we must address concern Columbia's requests for waivers of numerous provisions of the Commission's Retail Access Rules as provided by 20 VAC 5-312-20 A. The Company requested numerous waivers listed in Attachment E of its application filed on January 2, 2002. A number of the requests prompt the Commission to clarify the scope of these rules adopted to develop competition in retail energy markets.

As provided by 20 VAC 5-312-10 A, the Retail Access Rules were promulgated pursuant, in part, to the provisions of § 56-235.8 of the Code, which provides for retail supply choice. Columbia cites our Order on Requests for Clarification, Waiver, and/or Additional Time to Comply with the Rules Governing Retail Access to Competitive Energy Services of August 28, 2001, in Allegheny Power, Case No. PUE-2001-00365, at 7, as authority for its position that the Retail Access Rules extend beyond a retail supply choice plan.

In the cited portion of Allegheny Power, the Commission addressed a request from Washington Gas Light Company for guidance on application of the Retail Access Rules.

Specifically, Washington Gas Light Company raised the issue of waivers of 20 VAC 5-312-80, Enrollment and Switching, for its customers taking interruptible service. We noted in Allegheny Power, at 7 and in footnote 3, several subsections of 20 VAC 5-312-80 concerning relations between a local distribution company, a customer, and a competitive service provider permit compliance with an approved tariff or the provisions of 20 VAC 5-312-80. As defined in the Retail Access Rules, 20 VAC 5-312-10, a "competitive service provider" includes a licensed gas supplier, and "customer" means a retail customer. We concluded our discussion by observing that Washington Gas Light Company did not require a broad waiver since its tariff appeared to apply. Columbia interprets our response to a specific inquiry about application of several subsections that refer to tariffs as a broad ruling that the Retail Access Rules extend to all services subject to competition.

The Commission has, up to this point, licensed only gas suppliers proposing to serve retail and small commercial customers that were not eligible for transportation services under tariffs in effect on or before July 1, 1999. We have licensed gas suppliers pursuant to § 56-235.8 F of the Code to participate in retail supply choice plans implemented under § 56-235.8 A to B and in various pilot programs such as Columbia's. The Retail Access Rules establish standards for these licensed gas suppliers and the local distribution companies' retail supply choice plans.

The Commission is aware of the variety of providers of gas, gas transportation service, gas storage service, and related services who compete for the business of large customers. Large customers have had for many years the option of purchasing gas from the local distribution company or from other sources. We also recognize that an entity could secure a license as a gas supplier so that it might participate in retail supply choice plans while also serving customers that were eligible for transportation services on or before July 1, 1999.

The Commission will dismiss a number of Columbia's requests for waiver of the subsections of the Retail Access Rules. By dismissal, the Commission clarifies its intention that the following subsections apply only to retail supply choice plans and not to other competitive services:

20 VAC 5-312-20 N
20 VAC 5-312-20 O
20 VAC 5-312-80 F
20 VAC 5-312-80 I
20 VAC 5-312-80 K and L
20 VAC 5-312-80 N and P
20 VAC 5-312-90 C
20 VAC 5-312-90 I
20 VAC 5-312-90 K
20 VAC 5-312-90 L
20 VAC 5-312-90 M.

The Commission will dismiss the following requests for waiver on the grounds that the subsections apply to licensed gas suppliers and not to local distribution companies like Columbia:

20 VAC 5-312-70 C and D
20 VAC 5-312-80 J
20 VAC 5-312-80 M
20 VAC 5-312-90 A and B.

In its comments filed May 3, 2002, Columbia withdrew its request for a waiver of 20 VAC 5-312-60 B 3.

We will now consider the remaining requests.

20 VAC 5-312 60 B

Columbia seeks a waiver of 20 VAC 5-312-60 B to the extent that the provision requires one list. The Commission will deny the request as unnecessary. It is not our intention to prescribe the physical nature of the lists or the method of compilation. Any reasonable method of providing all of the information identified in 20 VAC 5-312-60 B 1 in a usable manner satisfies the rule.

20 VAC 5-312 60 B 1

This subsection requires local distribution companies to provide licensed gas suppliers a list of eligible customers. The list shall include the following customer information: load profile reference category, if not based on rate class (20 VAC 5-312-60 B 1(viii)), and up to twelve months of cumulative historic energy usage and annual peak demand information as available (20 VAC 5-312-60 B 1(ix)).

The Company requests waiver of 20 VAC 5-312-60 B 1(viii) and (ix) for residential and small commercial customers on the grounds that Columbia provides the information by means of supply curves available to licensees. We will grant this request for waiver of the literal language of the rules, but we will require the Company to provide annual consumption and annual peak demand information for customers taking service under Company Rate Schedules RS, RTS, SGS, SGTS, ACS, ACTS, UGLS, and UGLTS.

To the extent that it applies to large commercial and transportation customers, the Company seeks a waiver of 20 VAC 5-312-60 B 1. A waiver is not required, as this section applies only to customers eligible to participate in a retail supply choice plan filed and approved as provided by § 56-235.8.

20 VAC 5-312-90 H

This subsection establishes a hierarchy for crediting a customer's payment when the customer makes only a partial payment and does not designate a distribution of the payment. The Company poses the question of whether the hierarchy applies if Columbia purchases the licensee's receivables. This subsection is intended to afford equitable treatment for customers, local distribution companies, and licensed gas suppliers. Consequently, the hierarchy applies regardless of any sale of the receivables for services included in a retail supply choice plan. No waiver is necessary.

20 VAC 5-312-100

This section of the Retail Access Rules requires local distribution companies to develop and distribute load profiles. Subsection A directs the local distribution company to conduct load profiling in a nondiscriminatory manner; subsection B provides that load profile classes be identifiable and representative; and subsection C mandates that access to information be provided. Columbia proposes to satisfy the intent of these subsections by providing actual usage data for large customers and information to licensees on smaller customers on a monthly basis. The Commission concludes that Columbia's proposal satisfies the requirements of subsections A and B with regard to customers eligible to participate in a retail supply choice plan filed and approved as provided by § 56-235.8, and no waiver is required. Since Columbia intends to provide actual data on customers eligible to participate in its retail supply choice plan rather than samples, we will grant waivers of subsection C and subsection D of 20 VAC 5.312-100, which address design and validation of load profile samples.

Subsection E requires the local distribution companies to provide load profile data via readable electronic media such as a Website. Columbia's proposal would satisfy this rule, and no waiver is necessary.

The Commission takes this opportunity to clarify that subsection F applies only to electricity supply. Since it is inapplicable to Columbia, no waiver of subsection F is required.

The load samples must, according to subsection G, include both the local distribution company's customers and the licensed gas supplier's customers. Columbia will satisfy this requirement, and no waiver is required.

According to Columbia, it does not employ the technology to provide interval metering covered by subsection H. We will clarify that subsection H does not require a local distribution company to offer interval metering. The subsection applies only when interval metering is available. Accordingly, Columbia does not require a waiver.

Subsection I requires local distribution companies to post distribution and transmission loss factors. As Columbia notes in its application, these losses are considered retainage and are factored into its gas supply curves. So long as Columbia advises licensed gas suppliers of this component of the supply curves, the Company will satisfy subsection I. No waiver is required for Columbia.

Finally, we note that issuance of this Order does not end our continuing oversight of Columbia's plan. We expect that circumstances may require subsequent review of the plan and our response to matters raised by Columbia, licensed gas suppliers, and other interested persons.

Accordingly, IT IS ORDERED THAT:

(1) As provided by § 56-235.8 of the Code, Columbia's retail supply choice plan is approved with the modifications directed in this Order, and it shall be effective on and after July 1, 2002.

(2) Columbia shall recalculate its Transition Cost Recovery Charge (TCRC) effective July 1, 2002, in accordance with the modifications made in this Order. The Company shall file revised tariff sheets showing the recalculated charge as provided below.

(3) On or before the first work day of December of 2002, and on or before such day every subsequent year, Columbia shall file its revised Transition Costs Recovery Charge (TCRC) determined pursuant to its General Terms and Conditions Section 17.13 b) 3), as modified in this Order, with the Commission's Division of Energy Regulation and shall simultaneously file with the Division of Energy Regulation and the Commission's Division of Public Utility Accounting work papers supporting the calculation, including all information required for the Transition Costs Recovery Mechanism, for Staff review.

(4) Columbia shall modify its methodology for calculating its Purchased Gas Adjustment Clauses (PGA) on and after July 1, 2002, to reflect revenues from Enhanced Balancing Service (EBS) and System Integration Service (SIS) offered in Rate Schedule CSPS, Section 10.

(5) On or before July 26, 2002, Columbia shall file with the Commission's Division of Energy Regulation two copies of revised tariff sheets, revisions to standard agreements, and revisions to the Operating Plan incorporating all modifications directed by the Order.

(6) Columbia's requests for waivers of various subsections of the Retail Access Rules are granted, denied, or dismissed as directed in this Order.